

December 2010

How is the Western Region doing?

Measuring regional development



WDC Policy Briefings: The Western Development Commission (WDC) is a statutory body promoting economic and social development in the Western Region of Ireland (counties Donegal, Sligo, Leitrim, Mayo, Roscommon, Galway and Clare). WDC Policy Briefings highlight and provide discussion and analysis of key regional policy issues.



What is this Briefing about?

This Western Development Commission (WDC) Policy Briefing gives a **statistical snapshot of the Western Region of Ireland**. It provides indicators on a range of themes including output, income, population, employment and unemployment, economic sectors, education, innovation and infrastructure.¹ These show how the Western Region² is developing; over time and compared with other parts of the country. This Briefing can inform policy-making and help to assess progress towards achieving more balanced regional development – a Government policy objective.³

Our indicators compare the situation in 2007, the peak of the boom, with the most recent available figures and also compare the region with the rest of the state.⁴ They highlight a number of important policy issues which will be the subject of future WDC Policy Briefings.

How do we measure regional development?

As noted in the WDC's Briefing *Why care about regions? A new approach to regional policy*,⁵ a broad, cross-sectoral approach to regional policy, based on realising the potential of all regions, presents a more complex measurement task than simply looking at the gap in regional economic output. Here we provide: 1) **indicators of the region's current level of development** (e.g. output, unemployment, poverty); and 2) **indicators of the region's development potential**, essentially the drivers of future regional growth (e.g. labour supply, education levels, infrastructure).

How is the Western Region doing?

The following indicators provide a broad overview of the Western Region's **current level of development**.

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1 The WDC produced a detailed statistical overview of the Western Region based primarily on the results of the Census of Population 2006. WDC, 2008, The Western Region: Key Statistics

2 Due to data availability issues, other regional breakdowns are used for some indicators.

3 WDC, 2007, Indicators, Balanced Regional Development and the National Development Plan 2007-2013

4 Rest of the state refers to all counties in the Republic of Ireland other than the seven counties of the Western Region.

5 www.wdc.ie/publications/reports-and-papers/reports-2010/

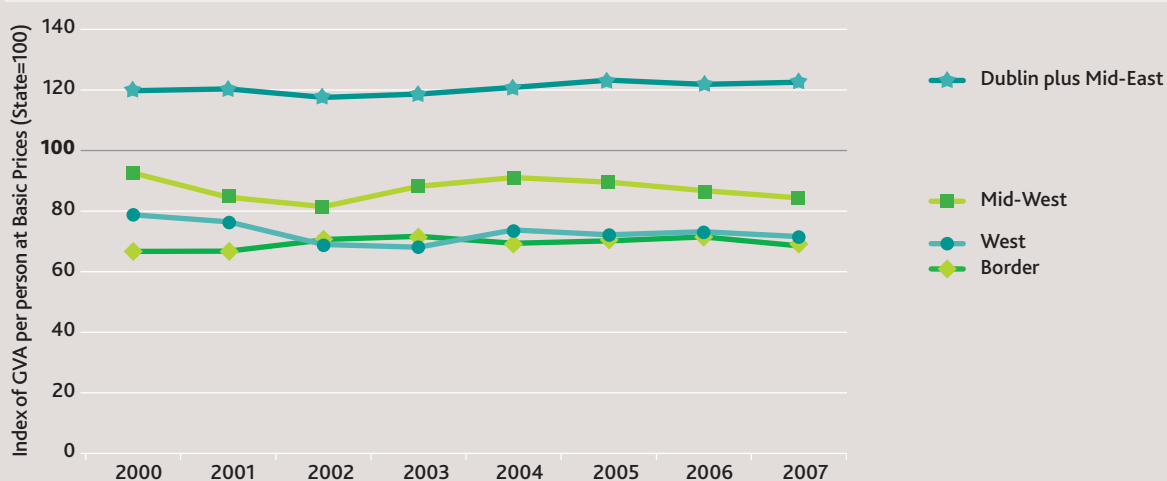
In their position relative to the state, the West and Mid-West regions were in a poorer position in 2007 than 2000.

What is the region's output?

Gross Value Added (GVA)⁶ per person is the most common indicator of relative regional performance. GVA figures are available at NUTS 3 regional level,⁷ and the West, Border and Mid-West regions are used to assess the situation in the Western Region.

- ◀ The most recent data show that GVA per person in the West region was 70.6% of the state average, 70.1% in the Border and 84.6% in the Mid-West (Fig. 1) in 2007. This represented a slight decline on 2006 for all three regions. The gap in GVA per person between these regions and the Greater Dublin Area (Dublin plus Mid-East) widened between 2006 and 2007.
- ◀ In their position relative to the state, the West and Mid-West regions were in a poorer position in 2007 than 2000 and showed greater volatility over the period than Dublin plus Mid-East.

Fig. 1: Index of Gross Value Added (GVA) per person at basic prices for selected regions, 2007 (State = 100)



Source: CSO, County Incomes and Regional GDP 2007

What income do people in the region have?

Income from employment measures income earned as wages/salaries and from self employment, illustrating the ability of regional economies to provide jobs and the quality of those jobs. It does not however measure all income sources e.g. welfare payments, rental income, income from investments. Disposable income measures all sources of income, less any taxes paid.

- ◀ Per person income from employment in the Border (€17,978), West (€18,560) and Mid-West (€19,762) regions was below the state average (€20,936) in 2007 (Fig. 2). The Border and West regions had the lowest and third lowest income from employment per person, while Dublin and the Mid-East were the only regions above the state average.
- ◀ Disposable income per person was higher than income from employment in all NUTS 3 regions, except Dublin and the Mid-East. This is partly due to income supports, as weaker regions tend to have a greater share of their population in receipt of state transfers due to an older age profile, higher poverty levels and more marginal farming activities, among other factors.

In 2007 the Border and West regions had the lowest and third lowest income from employment per person.

Disposable income per person was higher than income from employment in all regions, except Dublin and the Mid-East.

6 GVA at basic prices is a measure of the value of goods and services produced in a region (less the materials and services used which come from outside the region) priced at the value which the producer received minus any taxes payable plus any subsidies receivable as a consequence of their production or sale.

7 NUTS (Nomenclature of Territorial Units) is the regional classification used by Eurostat. Ireland is divided into two NUTS 2 regions which are in turn composed of eight NUTS 3 regions. The Western Region includes the entire NUTS 3 West region (Galway, Mayo, Roscommon), and parts of the Border (Donegal, Sligo, Leitrim, Cavan, Monaghan, Louth) and Mid-West (Clare, Limerick, North Tipperary).

Fig. 2: Income from employment and disposable income per person in NUTS 3 regions, 2007



Source: CSO, County Incomes and Regional GDP 2007. Income from employment calculated by WDC based on CSO regional population estimates for 2007.

What level of poverty is there in the region?

There are two commonly used measures of poverty, the at-risk-of-poverty rate⁸ and the consistent poverty rate.⁹

- ◀ In 2009, 14.1% of the national population were at-risk-of-poverty. The Mid-West region had an above average at-risk-of-poverty rate (Table 1). The Border, West and Mid-West all experienced a decline in their at-risk-of-poverty rates between 2007 and 2009, though the Mid-West recorded less of an improvement than nationally.
- ◀ The percentage of people in consistent poverty nationally was 5.5% in 2009, 0.4 percentage points higher than 2007. The West and Mid-West regions recorded above average increases – 2.6 and 1.1 percentage points respectively. The West and Border regions had the second and third highest consistent poverty rates nationally.

Table 1: The at-risk-of-poverty rate and consistent poverty rate for selected regions, 2007 and 2009

REGION	AT-RISK-OF-POVERTY RATE		CONSISTENT POVERTY RATE	
	2007	2009	2007	2009
	%	%	%	%
Border	21.7	14.1	8.4	5.4
West	18.9	14.1	3.1	5.7
Mid-West	20.0	18.9	3.6	4.7
Dublin	11.7	8.3	5.0	4.4
State	16.5	14.1	5.1	5.5

Source: CSO, EU Survey on Income and Living Conditions 2007, 2009

How is the Western Region performing on unemployment?

The Western Region,¹⁰ and the country as a whole, is experiencing rising unemployment.¹¹ The number of people unemployed in the region grew from 15,900 in 2007 to 44,300 in 2010 (+178.6%).

The unemployment rate in the Western Region rose from 4.4% in 2007 to 12.4% in early 2010 (Fig. 3); slightly less of an increase than in the rest of the state (from 4.5% to 13.0%). This may be due in part to the higher share of part-time working in the region (24.2% in the region compared with 21.8% in the rest of the state) and a higher share employed in the public sector.

The West and Border regions had the second and third highest consistent poverty rates nationally.

The unemployment rate in the Western Region rose from 4.4% in 2007 to 12.4% in early 2010.

⁸ The at-risk-of-poverty rate identifies the proportion of individuals who are considered to be in danger of poverty. It is calculated as the percentage of persons with an equivalised disposable income of less than 60% of the national median income.

⁹ Consistent poverty is defined as being at-risk-of poverty and living in a household deprived of two of eleven basic deprivation items.

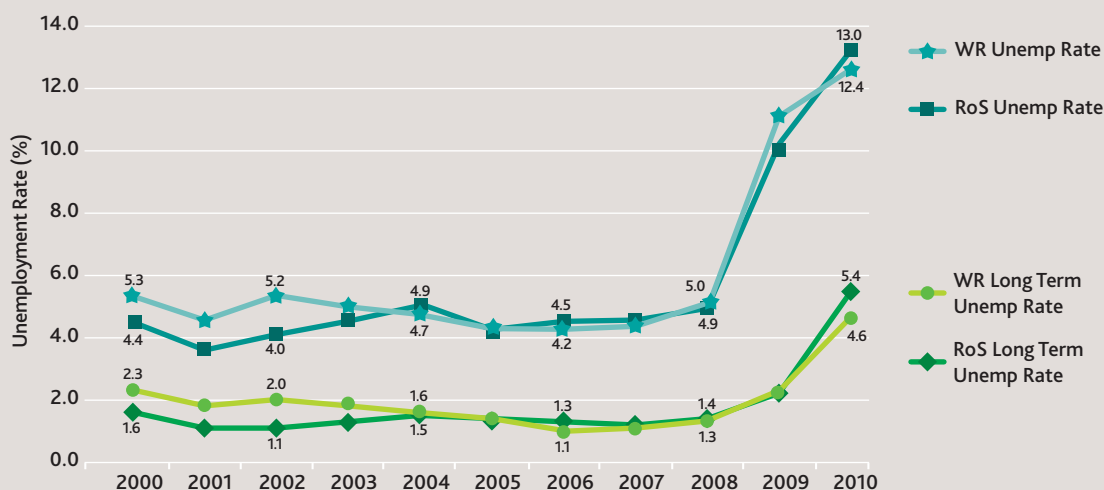
¹⁰ All data for the seven-county Western Region used in this Briefing are derived from a special data run from the Quarterly National Household Survey, Q1 2007 and 2010. As the Western Region is not exactly aligned with the NUTS 3 regions for which data is collected by the CSO, data may be subject to sampling or other survey errors. These are greater in respect of smaller values or estimates of change. Data for the Western Region should be taken as indicative of the relative position of the region rather than as accurate absolute figures.

¹¹ WDC, 2009, Work in the West: The Western Region's Employment & Unemployment Challenge

Of the 44,300 people unemployed in the Western Region, over a third are long term unemployed.

Of the 44,300 people who are unemployed in the region, over a third (16,300 or 36.8%) are long term unemployed (for a year or more). The Western Region's long term unemployment rate is now 4.6% compared with 5.4% in the rest of the state. It was just 1.1% in 2007 (Fig. 3).

Fig. 3: Unemployment and long term unemployment rates in the Western Region and rest of state, Q1 2000 – Q1 2010



Source: CSO, Quarterly National Household Survey, Q1 2010, Table 14 and 16, Special Run

Unemployment rates vary across the region's population due to a number of factors:

- ◀ **Unemployment rates are highest among younger age groups:** In 2010 those in the region aged 15-24 years had an unemployment rate of 23.9%, while it was lowest (8.0%) for those over 45 years. All age groups have experienced substantial increases in unemployment rates.
- ◀ **Male unemployment rates are higher than female:** Given the sectoral profile of male and female employment and the sectors which have been hardest hit by unemployment since 2007 (see below), the unemployment rate for men in the Western Region (16%) was double that for women (7.9%). Both male and female unemployment rates in the region were slightly below the rest of the state (16.4% and 8.6% respectively).
- ◀ **Unemployment rates¹² decline with rising education levels:** A person in the region with a Junior Certificate or below faces an unemployment rate of 18.1%, whereas for those with a Leaving or Post-Leaving Certificate the rate declines to 14.6% and if a person has a third level qualification is only 7.2%. In line with other unemployment rates, these are slightly below those in the rest of the state (21.3%, 15.2% and 7.4% respectively).

What is the Western Region's potential for development?

The previous indicators highlighted the current status of the Western Region, but what of its **future growth**? A wide range of factors determine a region's development potential and competitiveness. The OECD has found that human capital (the labour force and its education and skill levels) is one of the strongest drivers of regional performance.¹³ Human capital, together with infrastructure and innovation, are the main sources of regional growth¹⁴ and are examined here.

What is the region's population and how is it changing?

The most recent population data for the Western Region are from 2006, but population estimates for 2010 are available at NUTS 3 region level.

¹² Education levels refer to people aged 15-64 years, rather than to everyone over 15. Therefore the unemployment rates by education level are not directly comparable with unemployment rates referred to elsewhere in the Briefing.

¹³ OECD, 2009, How Regions Grow: Trends and Analysis

¹⁴ WDC, 2010, Why care about regions? A new approach to regional policy

The unemployment rate for men in the Western Region was double that for women.

- ◀ The population in 2010 is higher than 2007. The Border region's estimated population in 2010 was 4% higher, for the Mid-West and West it was 2.7% and 2.6% higher respectively.¹⁵ The state average was 3%.
- ◀ Most recently (April 2009 to April 2010) there was net outward migration nationally of 34,500 people, the highest since 1989. Estimated regional population changes give some indication of migration at regional level¹⁶ and in the most recent year Dublin (-0.35%), the Border (-0.26%) and the West (-0.25%) were the only NUTS 3 regions which experienced population decline.
- ◀ All regions saw a decline in their 15-29 year old population (the age group most likely to emigrate), with the decline in the West region (-6.9%) greater than the state average (-5.6%). This was due to a more substantial decline in the female population (-8.3%).

What labour supply is available to employers in the Western Region?

The labour force (everyone who is either working or looking for work) is a key resource available to employers in the Western Region and is determined by the working age population and how many of them actually participate in the labour market. Measuring the labour supply is critical to assessing a region's potential.¹⁷

- ◀ In the first quarter of 2010 the Western Region's labour force was 357,600 people. Since the peak of the economic boom (2007) the region experienced a 1% decline in its labour force, less than the drop in the rest of the state (-2.8%).
- ◀ The Western Region's labour force participation rate¹⁸ in 2010 was 58.6%; below the 61.1% in the rest of the state. While both areas experienced increasing participation during the boom, followed by decline in the recession, participation in the region has always lagged the rest of the state.
- ◀ The region's participation rate fell between 2007 and 2010 (from 61.1% down to 58.6%), while it also fell in the rest of the state (64% to 61.1%). This was largely due to declines in the younger age groups, meaning younger people remaining in or returning to education is likely to be a significant factor.

What is the Western Region's employment level?

The number of people in employment in the Western Region fell by 31,900 between 2007 and 2010 (to 313,300). While significant, this decline was relatively less than occurred in the rest of the state (-9.2% compared with -11.4%).

Employment declines since the peak of the boom have been concentrated in the construction (-28,100), agriculture¹⁹ (-7,200) and industry (-3,300) sectors. There was a larger decline in construction employment in the region (-54.5%) than the rest of the state (-51.1%) between 2007 and 2010. Over the same period some sectors have experienced employment growth, notably information and communications (+3,400), transportation and storage (+1,400) and health (+1,300).

What sectors are people working in and how does the region compare?

Differences in the employment structure of the Western Region compared with the rest of the state have implications for its future development. The top five employment sectors in the region – wholesale and retail, industry, health, education and hospitality – employ a higher share here than in the rest of the state. In total they accounted for 58.7% of all regional employment compared with 53.6% in the rest of the state. The region's employment structure is therefore less diversified; more reliant on local and public services and industry.

The smallest employment sectors in the Western Region – administration and support services, financial services, information and communications – include those associated with the knowledge economy. In the case of all these sectors the region has a much lower share than the rest of the state. As noted above some of these sectors e.g. information and communications, have experienced growth over the 2007-2010 period, albeit from a low base.

In the most recent year Dublin, the Border and the West were the only regions which experienced population decline.

Participation rates in the Western Region continue to lag the rest of the state.

The top five employment sectors in the region are wholesale and retail, industry, health, education and hospitality.

15 Figures for 2007-2010 are estimates. CSO, 2010, Population and Migration Estimates, April 2010

16 There is no regional breakdown of migration data. Regional population changes can occur because of natural increase (births over deaths), as well as migration.

17 WDC, 2009, Travel to Work and Labour Catchments in the Western Region: A profile of seven town labour catchments

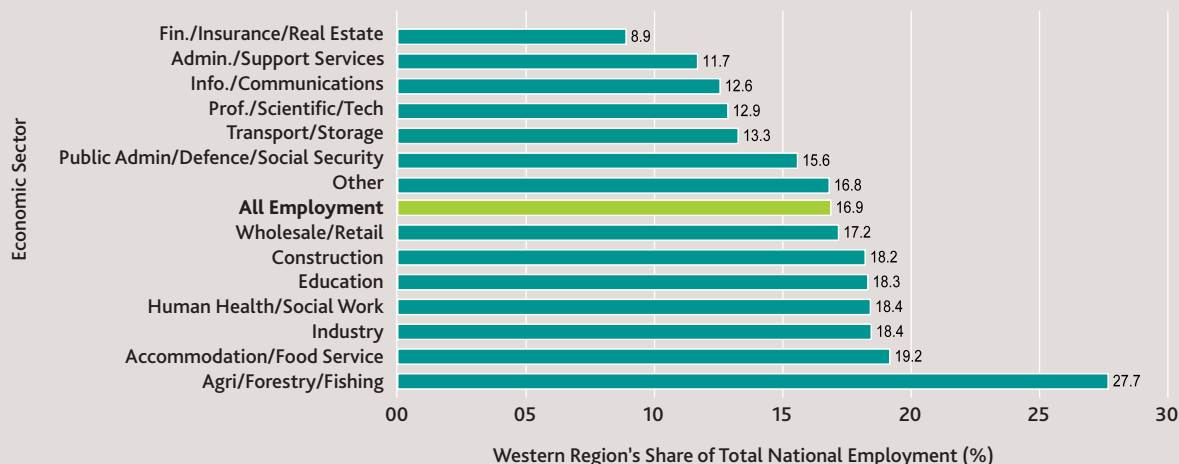
18 The share of everyone aged over 15 years who is in the labour force.

19 Caution is required in relation to employment figures for agriculture, forestry and fishing. The CSO has advised that due to a problem with sampling there are concerns over the accuracy of recent agricultural employment figures. The Western Region has a relatively high share of employment in agriculture so this may be a more significant issue for the region.

The smallest employment sectors in the Western Region include those associated with the knowledge economy.

Fig. 4 shows that the Western Region accounts for 16.9% of total national employment.²⁰ Considering its share of total employment; the region accounts for a greater share of national employment in some sectors e.g. 27.7% of all agricultural employment and 19.2% of all employment in hospitality. For the region's smallest employment sectors it has a low share of the national total e.g. 8.9% of all financial services employment. The Western Region's low share of knowledge services employment is particularly evident.

Fig. 4: The Western Region's share of total national employment by sector, Q1 2010



Source: CSO, Quarterly National Household Survey, Q1 2010, Table 1 and 2, Special Run

What are the education levels of the Western Region's population?

Education levels are critical to a region's development potential as they influence the skill profile of the regional human resource.

- ◀ In 2010 education levels among 15-64 year olds in the region were quite similar to those in the rest of the state (Table 2). The regional gap in education attainment levels shrank during the period of the boom as participation in education increased, especially among women, and the region's longstanding 'brain drain' was reversed.
- ◀ The region continues to have a slightly greater share of its population with lower education levels and a smaller share with higher education. The share with a third level qualification has grown steadily and is currently just below the rest of the state.
- ◀ The situation is not even between genders however and in 2010 while 35% of 15-64 year old women in the region had a third level qualification, it was only 25.5% of men – a bigger gap than in the rest of the state. The gender difference has shrunk slightly in response to the recession; indicating rising male educational participation in the region.

Table 2: Persons aged 15-64 years classified by the highest level of education attained, in the Western Region and rest of state, Q1 2010

HIGHEST LEVEL OF EDUCATION ATTAINED	TOTAL		MALES		FEMALES	
	WESTERN REGION	REST OF STATE	WESTERN REGION	REST OF STATE	WESTERN REGION	REST OF STATE
	%	%	%	%	%	%
No formal/ Primary/Lower secondary	30.5	28.5	35.5	30.7	25.6	26.3
Higher secondary/Post Leaving Cert	36.5	37.1	36.5	37.0	36.5	37.1
Third level non-honours/ Honours degree +	30.2	31.2	25.5	28.7	35.0	33.7
Not stated	2.7	3.3	2.5	3.7	2.9	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO, Quarterly National Household Survey, Q1 2010, Table 23a, Special Run

²⁰ At the last Census (2006) the Western Region accounted for 18% of the national population.

The share with a third level qualification in the region has grown steadily and is currently just below the rest of the state.

Education levels are also influenced by upskilling and lifelong learning. Participation has strong regional variations. In 2008 of all persons aged over 25 years, 33% in Dublin had engaged in lifelong learning in the previous year compared with 23% in the West region and just 18% in both the Border and Mid-West regions.²¹

What level of innovation activity is ongoing in the region?

Regional indicators of innovation activity are limited, in particular measuring process and non-technological innovation. Data is available for investment in research and development (R&D).

Expenditure on R&D by both higher education and business has been increasing steadily (Table 3). At a regional level, the Border, Midlands & West (BMW) region's share of R&D expenditure is much less than the Southern & Eastern (S&E) region's. The BMW accounted for 14.3% of all higher education R&D (2009) compared with 85.5% in the S&E; and 18.6% of business R&D (2007) compared with 81.4%. This was however an increase in the BMW's share since 2003.

Table 3: Expenditure on research and development by higher education and business at NUTS 2 region level for selected years

REGION	HIGHER EDUCATION RESEARCH & DEVELOPMENT (HERD)				BUSINESS EXPENDITURE ON RESEARCH & DEVELOPMENT (BERD)			
	2003		2009*		2003		2007*	
	€M	%	€M	%	€M	%	€M	%
BMW	50.0	12.4	119.0	14.3	166	15.4	298.9	18.6
S&E	354.4	87.6	710.0	85.5	910	84.6	1,304.2	81.4
Total	404.4	100.0	830.0	100.0	1,076	100.0	1,603.1	100.0

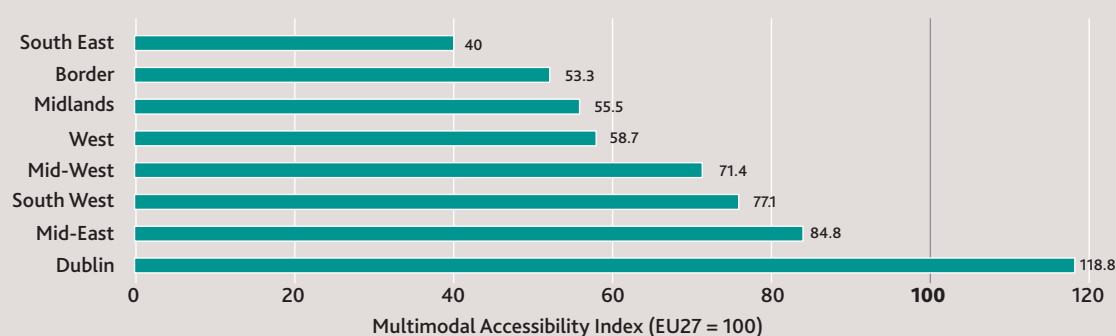
*Most recent figures available.

Source: Forfás, 2010, *Higher Education Research and Development 2007/2008* (forthcoming); CSO, 2009, *Business Expenditure on Research and Development 2007/2008*; Forfás, *Business Expenditure on Research and Development 2003/2004*

How does the region compare on infrastructure?

Measuring such a broad topic as infrastructure is difficult, however a European 'potential accessibility index' compares the accessibility of each European NUTS 3 region with the EU average.²² The West, Border and Mid-West regions had multimodal (rail, road and air) accessibility indices well below the European average (Fig. 5). This research also found a high correlation between multimodal accessibility and GDP across European regions i.e. more accessible regions generally had higher income.

Fig. 5: Multimodal accessibility index for Ireland's NUTS 3 regions, 2006 (EU27 = 100)



Source: ESPON, 2009, *Territorial Dynamics in Europe: Trends in Accessibility, Territorial Observation No. 2, November 2009*

Broadband is an increasingly important form of infrastructure and is an essential input for development. In 2008 just over one quarter (26.7%) of households in the BMW region had a broadband internet connection compared with nearly half (48.8%) of all households in the S&E region.²³

The Border, Midlands & West (BMW) region's share of R&D expenditure is much less than the Southern & Eastern (S&E) region's.

The West, Border and Mid-West regions had multimodal (rail, road and air) accessibility indices well below the European average.

Just over one quarter of households in the BMW region had a broadband internet connection compared with nearly half in the S&E region.

21 CSO, Quarterly National Household Survey, Lifelong Learning, Q3 2008

22 www.espon.eu/main/Menu_Publications/Menu_TerritorialObservations/trendsinaccessibility.html

23 CSO, Information Society and Telecommunications 2008

The region has strong future growth potential, most notably in human capital, but important structural weaknesses in its economic profile, infrastructure and innovation levels remain.

What does this mean for the Western Region's future?

The Western Region experienced an overall improvement in its level of development during the boom years but continued to lag the rest of the state in critical areas such as income, poverty and labour force participation. The region has strong future growth potential, most notably in human capital, but important structural weaknesses in its economic profile, infrastructure and innovation levels remain.

The region's human resource is its key asset. The labour force expanded during the boom which was coupled with rising education levels. Recent indicators point to increasing numbers of males engaging in education which will further improve the region's human capital. This may include young men who left school early and have now lost jobs in construction. At the same time, however, emigration seems to be re-emerging, as indicated by the fall in the region's younger population.

Further diversification of the regional employment base, and an expansion of knowledge economy employment, will be key to the region's economic future. At the moment, employment is concentrated in local and public services and more traditional sectors. The region's quality of life makes it attractive to knowledge and creative workers; ensuring the availability of the facilities and services they require to work successfully from the region must be a priority.

Infrastructure is a fundamental building block for regional development and despite substantial improvements in the past decade the Western Region continues to lag the rest of the state. The region is well below the EU average in terms of its accessibility, while broadband services in certain parts of the region present a continuing constraint. Increasing the levels of innovation activity among the region's enterprises is also required to fully take advantage of the region's assets and potential.

The combined impact of improvements in the '3Es' (enterprise, employment and education), infrastructure and innovation would, not only grow the Western Region's economy, but also increase its contribution to national growth and recovery. Future WDC Policy Briefings will examine these key policy areas.

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